

## Message Text

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72

ACTION EUR-25

INFO OCT-01 ADP-00 IO-13 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 SAL-01 SS-14 STR-08 OMB-01 CEA-02 L-03 H-02

CIAE-00 COME-00 FRB-02 INR-09 NSAE-00 TRSE-00 XMB-07

OPIC-12 LAB-06 SIL-01 DODE-00 PA-03 USIA-12 PRS-01

RSR-01 /168 W

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R 091715 Z MAR 73

FM USMISSION BERLIN

TO SECSTATE WASHDC 1508 R

AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

USEC BRUSSELS 402

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E. O. 11652 N/ A

TAGS: EFIN, XG

SUBJECT: AGREED EC POSITION FOR PARIS TALKS

1. AT AN OFF- THE- RECORD SESSION WITH THE BERLIN  
FOREIGN CORRESPONDENTS ASSOCIATION AT 1415 CET, RUDIGER  
VON WECHMAR THE FRG SPOKESMAN, OUTLINED WHAT HE CALLED  
AN " AGREED EC POSITION" FOR THE PARIS MONETARY MEETING.

2. ACCORDING TO VON WECHMAR, THE EC NINE HAVE AGREED  
ON AN EXTERNAL FLOAT AGAINST THE DOLLAR WITH FIXED  
PARTIES WITHIN THE EC, PAYING SPECIAL ATTENTION TO THE  
PROBLEMS OF THE ITALIANS AND THE BRITISH. THE GERMANS  
WILL HAVE TO FOOT THE LION' S SHARE OF THE COSTS SINCE  
THEY HAVE AGREED TO SUPPORT BOTH THE LIRA AND THE POUND.  
ESTIMATED COST TO THE WEST GERMANS OF THIS MEASURE WILL  
BE SEVEN BILLION " ACCOUNTING UNITS" ( PRESUMABLY IMF).

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3. PROBABLE EFFECTS ON GERMAN ECONOMY AS RESULT  
THIS ADDITIONAL LIQUIDITY VON WECHMAR CONTINUED WILL BE TO  
RAISE THE WEST GERMAN INFLATION RATE FROM ITS CURRENT  
6.8 PER CENT THRU THE PROJECTED 7 PER CENT TO A NEW  
HIGH OF 7-1/2 PER CENT OR POSSIBLY HIGHER. GERMANS  
HOWEVER, BELIEVE THEY CAN ABSORB IMPACT THESE MEASURES IN  
VIEW OF INDUSTRIAL- BUSINESS BOOM THEY EXPECT TO BEGIN IN THE  
FALL AND LAST THROUGH 1974. THIS WILL HELP MAINTAIN THE  
LEVEL OF EXPORTS DESPITE THE RISING VALUE OF THE MARK.  
ONLY INDUSTRIES EXPECTED TO BE HURT WILL BE SHIPBUILDING,  
CHEMICALS AND " A LITTLE STEEL." IMPORTERS WILL PROFIT  
AND GENERAL BUSINESS LEVEL, HE REPEATED, EXPECTED TO BOOM.

4. WHAT THE EC WANTS FROM THE US, ACCORDING TO VON WECHMAR,  
IS A HIKE IN U. S. INTEREST RATES AND U. S. " MEASURES" TO  
SUPPORT THE DOLLAR. OF THE SUGGESTION THAT THIS BE DONE  
BY SELLING FOLD RESERVES, HE SAID IT WOULD " ONLY BE A  
THREE- DAY MEASURE AND WOULDN' T WORK."

5. BIGGEST PROBLEM FOR THE FRG, VON WECHMAR EXPLAINED LIES IN  
THE FACT THAT THE COMBINATION OF THE CURRENT INFLATION  
PLUS THE ANTICIPATED INFLATIONARY EFFECTS OF THE NEW  
MEASURES WILL ALMOST COMPLETELY ELIMINATE THE RECENT  
8-1/2 PER CENT PAY RAISES OF GERMAN WORKERS. THE  
GOVERNMENT CONSEQUENTLY WOULD EXPECT TO FACT HEAVY PRESSURE  
FROM THE UNIONS FOR " EXHORBITANT" WAGE INCREASE " AS THE JAWS OF  
THE SCISSORS ( LESSENING WORKERS WAGES PLUS HIGHER  
INDUSTRIAL PROFITS) OPEN EVEN WIDER."

6. POSSIBLY OF INTEREST IS THE FACT THAT MEETING WITH  
THE CORRESPONDENTS WAS HELD ORIGINALLY TO DISCUSS PROBLEMS  
OF WESTERN JOURNALISTS IN GDR AND VON WECHMAR RAISED  
THE MONETARY ISSUE SUBJECT ON HIS OWN INITIATIVE. KLEIN

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\*\*\* Current Handling Restrictions \*\*\* n/a

\*\*\* Current Classification \*\*\* LIMITED OFFICIAL USE

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SECSTATE WASHDC  
US EC BRUSSELS

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